

318A-HO-59147
Date: 09/06/2001
Time: 2:39 p.m.
AES-Tape #8-Side A
MA/sjt
(Transcribed 10/07/2005)

1 RAY - GLENN RAY

2 SKILLING - JEFFREY SKILLING

3 UM - UNIDENTIFIED MALE

4 UI - UNINTELLIGIBLE

5 [BEGINNING OF TELEPHONE CONVERSATION]

6 UM - (UI) phone (clearing his throat).

7 (Telephone rings).

8 UM - Yo?

9 RAY - By way.

10 UM - Here he comes.

11 RAY - Hi, JEFF.

12 SKILLING - Uh, hi GLENN. How are you?

13 RAY - Good. How are you?

14 SKILLING - Good. Listen, I got your message. Uh, I didn't quite understand it, so they're
15 gonna what, charge me 80 basis points for uh, borrowing shares?

16 RAY - No, they're gonna pay you 80 basis points.

17 SKILLING - Of whatever cash comes in?

18 RAY - Uh, correct. Correct. Uh, I mean, basically, the deal is, is that when we

318A-HO-59147
Date: 09/06/2001
Time: 2:39 p.m.
AES-Tape #8-Side A
MA/sjt
(Transcribed 10/07/2005)

1 borrow shares outside of the firm, we have to put SCHWAB's working capital
2 on deposit at the other firm.

3 SKILLING - Okay.

4 RAY - You know, over 100%...102%, something like that.

5 SKILLING - Okay.

6 RAY - Um, and then they work out uh, uh, a deal based on, you know, whatever
7 interest is earned on the money and they split it up. Uh, obviously they're, you
8 know, split up. There's not gonna be a whole lot, especially if it's like in T-bills.

9 SKILLING - Okay.

10 RAY - So uh, so they're willing to pay you 80 basis points of that amount.

11 SKILLING - Okay.

12 RAY - Um...

13 SKILLING - Uh, I'm alright with that. Uh, let's do this. Let's uh, the same thing we did
14 before, let's do another 400,000 shares of AES.

15 RAY - Okay, just 400?

16 SKILLING - Yeah, just four uh, this time. And then uh, I'd like you to, and...and they did
17 great execution for me, GLENN, last time. I was very pleased with that. So

318A-HO-59147
Date: 09/06/2001
Time: 2:39 p.m.
AES-Tape #8-Side A
MA/sjt
(Transcribed 10/07/2005)

1 uh, whoever you got working that I think they did a good job, so just...just tell
2 them just kind of the same marching orders as last time...

3 RAY - Okay.

4 SKILLING - ...on the institutional desk. And then I'd also like to sell 200,000 shares of
5 ENRON.

6 RAY - You'd like to sell 200,000?

7 SKILLING - Yes.

8 RAY - (Sighing) Okay. (Clears his throat). Let me just check here.

9 SKILLING - And I am no longer a 16-B officer, so I think all the restrictions and everything
10 are gone, but you might wanna check that cause I don't know if they've
11 updated all the records and everything.

12 RAY - Right. One second here. Yeah, cause I'm looking at the notes here and it's still
13 you as an affiliate. Um...

14 SKILLING - Let me do this. Why don't uh, hold that order. I will go ahead and have them
15 send you a letter.

16 RAY - Okay.

17 SKILLING - A letter to that effect.

318A-HO-59147
Date: 09/06/2001
Time: 2:39 p.m.
AES-Tape #8-Side A
MA/sjt
(Transcribed 10/07/2005)

1 RAY - Okay. Great.

2 SKILLING - Uh, and then we'll go ahead and we'll...we'll execute that at that time.

3 RAY - Okay. Did you want to uh, you're gonna have the company send us a letter.

4 SKILLING - Yes.

5 RAY - Okay.

6 SKILLING - Alright?

7 RAY - Okay.

8 SKILLING - Who should I have them send that to?

9 RAY - Um, good question. Hang...hang on just a second, okay?

10 SKILLING - Thanks.

11 (Pause).

12 RAY - Okay, sorry about the delay there. Um, (clearing his throat) what we're gonna

13 have you do is send the letter here.

14 SKILLING - Okay.

15 RAY - Okay, um...

16 SKILLING - To your attention?

17 RAY - Sure, that's fine. First name GLENN, last name RAY, R-A-Y.

318A-HO-59147
Date: 09/06/2001
Time: 2:39 p.m.
AES-Tape #8-Side A
MA/sjt
(Transcribed 10/07/2005)

1 SKILLING - Mm-hmm.

2 RAY - Nine four zero one (9401)...

3 SKILLING - Mm-hmm.

4 RAY - ...East Panorama Circle.

5 SKILLING - Panorama Circle.

6 RAY - Very good. Yes. Alright, Englewood with an E, Englewood, Colorado.

7 SKILLING - Englewood, Colorado. Okay.

8 RAY - Uh, 80112.

9 SKILLING - Okay. (Sighing) Great, and...

10 RAY - Okay um, okay, and that's for the issue of selling ENRON, correct?

11 SKILLING - Yes, and so if you can just hold off on that for...for just a second uh, or uh,

12 until I get you that letter, then we can go ahead and do that. But on the other if

13 we can go ahead and get started on that I'd appreciate it, GLENN.

14 RAY - Right. It's gonna take probably about five minutes to make sure we can

15 borrow the shares.

16 SKILLING - Okay.

17 RAY - Then get the approval, and then I'll have to call you back. Um, um, I had two

318A-HO-59147
Date: 09/06/2001
Time: 2:39 p.m.
AES-Tape #8-Side A
MA/sjt
(Transcribed 10/07/2005)

1 other things on my mind.

2 SKILLING - Yes.

3 RAY - Actually um, if you got just a second (clearing his throat). Number one is um,
4 uh, for either of these positions, but especially for your ENRON position, there
5 are other ways that we can actually liquidate those shares or hedge them.

6 SKILLING - Okay.

7 RAY - Uh, you know, we can do...I don't know if you're familiar with what a collar is.

8 SKILLING - Yeah.

9 RAY - Uh, where you, you know, you...you set an up side and a down side basic um,
10 uh, uh, limits on the value. Uh, or there's forward contracts, where you can sell
11 the shares...you can get most of the funds now, but actually uh, take the tax
12 liability in two or three years.

13 SKILLING - Okay.

14 RAY - Um, there's...there's some things like that, that we may wanna discuss. Uh, the
15 other issue was uh, your exit strategy for the AES position.

16 SKILLING - Yes.

17 RAY - Um, obviously um, it's off of its highest for the year. The high for the year being

318A-HO-59147
Date: 09/06/2001
Time: 2:39 p.m.
AES-Tape #8-Side A
MA/sjt
(Transcribed 10/07/2005)

1 uh, uh, what uh, 72 and change?

2 SKILLING - Yep.

3 RAY - Uh, so we cut already, you know, more than half of that value. Obviously, you
4 can't go below zero, but uh, at some point I'm sure that you're going to want to
5 take some profits here.

6 SKILLING - Yep.

7 RAY - Uh, also, we need to be thinking about if the stock were to turn around and go
8 the other direction, at what point would you want to take the profits you've
9 already accumulated and...and...and obviously, we don't wanna go...have this
10 to go into a loss.

11 SKILLING - Right.

12 RAY - Uh, especially with this number of shares.

13 SKILLING - Well, I wanna let it ride. I want...on that one I wanna let it ride for awhile. On
14 the other, I'd be interested if...if you have a costless collar option.

15 RAY - Correct. Uh-huh. Yeah.

16 SKILLING - Uh, I would uh, kind of like to see what the numbers on that look like.

17 RAY - Okay. I will probably have someone that's got my area of expertise

318A-HO-59147
Date: 09/06/2001
Time: 2:39 p.m.
AES-Tape #8-Side A
MA/sjt
(Transcribed 10/07/2005)

1 SKILLING - Okay.

2 RAY - But I can uh, probably the person you need to contact in terms of uh, trading

3 decisions as uh, as you're talking about, your exit strategy.

4 SKILLING - Yeah.

5 RAY - Uh, but in terms of the...the collars, that's another department. And I will

6 probably have um, uh, uh, the guy, his name is ANGEL. And I forget his last

7 name. GUTIERREZ, I think. But uh, uh, I will have uh, uh, I will probably

8 have him contact you. Uh, would your home number be the best number for

9 that?

10 SKILLING - Yes.

11 RAY - Okay.

12 SKILLING - Yeah.

13 RAY - Uh, and how soon would you be looking to do something like that or need

14 information on that?

15 SKILLING - Uh...

16 RAY - Today or tomorrow?

17 SKILLING - ...uh, tomorrow would be fine.

318A-HO-59147
Date: 09/06/2001
Time: 2:39 p.m.
AES-Tape #8-Side A
MA/sjt
(Transcribed 10/07/2005)

1 RAY - Okay. Great. Uh, and any particular time that would be best for him to call
2 you?
3 SKILLING - Uh, no. Uh, I'll...I'll be kind of in an out, so if he doesn't get me just ask him to
4 leave me a message and I'll get back to him.
5 RAY - Okay. I will go ahead now and uh, attempt to borrow 400,000...AES.
6 SKILLING - Right. Yeah.
7 RAY - And then as soon as that happens I will give you a call back.
8 SKILLING - Okay. Great.
9 RAY - Alright?
10 SKILLING - Thanks, GLENN.
11 RAY - Thanks, JEFF. Bye. (Clears his throat).
12 [END OF TELEPHONE CONVERSATION]